

Jeff Krehbiel
on behalf of the
Oklahoma Wheat Growers Association and the
National Association of Wheat Growers
before
the House Committee on Agriculture
Subcommittee on Conservation, Credit, Rural Development, and Research
RE: Review of Federal Farm Programs
Review of Federal Farm Programs
El Reno, Oklahoma
September 18, 2006

Mr. Chairman, Members of this Committee, my name is Jeff Krehbiel. I am a wheat farmer from Hydro Oklahoma. I am currently serving as President of the Oklahoma Wheat Growers Association and serve on the Domestic Policy Committee of National Association of Wheat Growers, or NAWG. Thank you for this opportunity to be here today to share the thoughts of the growers I represent on farm policy.

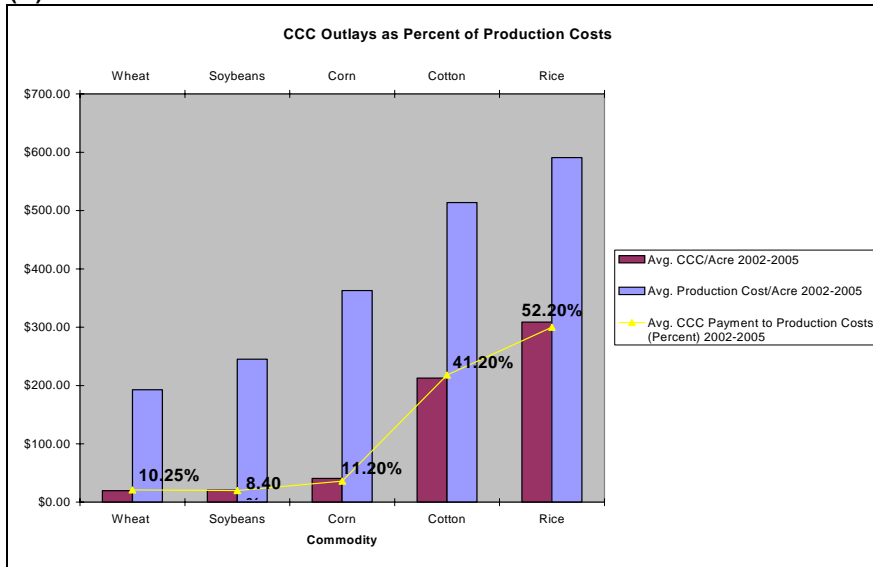
Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people.

The 2002 Farm Bill has strong points, and the wheat growers that I represent here today believe that the next Farm Bill should build on these strengths. However, while wheat growers generally support current policy, much of the “safety net” provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, two key components of the current bill, the counter cyclical program and loan deficiency payment program, have provided little or no benefit to wheat producers for two main reasons. First, severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure. The loan program and the LDP are useless when you have no crop. Secondly, the target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated, and severe weather conditions in some areas have created a short crop, which has led to higher prices in other areas. As a result, there has been very little support in the form of counter cyclical payments.

As you can see by the chart in my testimony, the support level for wheat compared to other commodities for the 2002 to 2005 crop years, even as a percentage of production costs, is relatively low.

	Wheat	Soybean	Corn	Cotton	Rice
AVG CCC/Acre '02-'05E	\$19.76	\$20.67	\$40.67	\$212.67	\$308.88
AVG Production Costs/acre '02-'05E	\$192.64	\$245.25	\$362.61	\$513.81	\$638.76
AVG CCC to Production costs (%)	10.25%	8.4%	11.20%	41.20%	52.2%



Source for CCC outlays: <http://www.ers.usda.gov/publications/agoutlook/aotables/2006/03Mar/aotab35.xls>
Sources for production costs/acre: <http://www.ers.usda.gov/Data/CostsandReturns/testpick.htm>

Government payments cover about 10% of the production costs for a wheat producer while some commodities have over 50% of their production costs covered by Government payments.

We are not, in any way, suggesting that other crops receive too much support – far from it, they face the same problems our growers face and rely heavily on this safety net. We are simply stating that wheat producers need a viable safety net also. There is no doubt that America's farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher rate than in the U.S. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are up an estimated 24 to 27 percent for wheat growers just from last year, as estimated in a recent FAPRI report, and the current disaster situation, including droughts, floods and fires, has been especially troubling for our members. On my farm, with the help of the Farm and Ranch Management instructor for Caddo-Kiowa Vo-tech, we calculated how much my fuel and fertilizer expenses have increased since 2002 when the current farm bill went into affect. I have not made any appreciable changes in the size of my operation. In 2002 I spent just over \$49,000.00 for fuel and fertilizer. In 2006 my fuel and fertilizer costs will be slightly over \$109,000.00. This 222% increase in the two major inputs for wheat production during the life of the current farm bill has left the producers I represent, struggling to survive.

While we understand that there are likely to be economic impacts from any change in the current program, we believe that wheat growers need an adequate safety net. We are currently examining the impacts - both to farmers and the federal budget - if the safety net for wheat was more in-line with the safety net of other commodities. One option we are currently considering is a proposal to increase the direct payment, and increase the target price to more accurately reflect market conditions. We believe these two programs are the least trade-distorting, and therefore offer the

best opportunity to provide support for our members. I expect NAWG's full board will finalize a 2007 Farm Bill proposal soon, and will share that with you when it is complete.

Wheat growers would also like to see conservation programs continue as presently authorized, but with full funding. We would also like to explore opportunities to streamline program sign-up to be less time consuming and more producer friendly. Another area of interest to our members is the pursuit of renewable energy from agricultural sources and support for additional incentives for further research and development of renewable energy initiatives, specifically cellulosic ethanol.

In closing, I must state that we are firmly committed to developing an effective 2007 farm bill and welcome the opportunity to work with you to do so.

Thank you for this opportunity. I am ready to answer any questions you may have.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: _____

Address: _____

Telephone: _____

Organization you represent (if any): _____

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ **Amount:** _____

Source: _____ **Amount:** _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ **Amount:** _____

Source: _____ **Amount:** _____

Please check here if this form is NOT applicable to you: _____

Signature: _____

** Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

**Committee on Agriculture
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Information Required From Non-governmental Witnesses**

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. **Name:** _____
2. **BusinessAddress:** _____

3. **Business Phone Number:** _____
4. **Organization you represent:** _____
5. **Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:**

6. **Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:**

7. **If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:**

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.